Approved For Release 2008/10/24 : CIA-RDP86M00886R002000060014-2

## THE WHITE HOUSE WASHINGTON

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### **CABINET AFFAIRS STAFFING MEMORANDUM**

Date: 3/20/84 Subject: Reform of	•	1689410	<del></del>	/26/84	
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Thank you	very much.				HEG EXEC DCI
Approved For Release 200	Craig L. Fuller Assistant to th for Cabinet Af 456–2823	fairs	☐ Katherine Anderson ☑ Tom Gibson Associate Directory Office of Cabin 456–2800	ctor	ey : rbalsheimer <b>3</b> 0

#### THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Reform of Federal Advisory Committees

Federal agencies receive outside advice, information, and assistance from some 900 advisory committees, councils, boards, and commissions. They include a total of about 20,000 members, at a combined annual cost of approximately \$74 million. About two-thirds are established by statute.

A recent analysis found that 284 advisory committees reported no significant accomplishments during the last reporting period, and of these, 161 reported no activity whatever. The study also found that in many cases agencies failed to give serious consideration to the policy recommendations of committees.

It is evident that many advisory committees are not serving a useful purpose, and should be eliminated. It is also obvious that valuable committees are not receiving proper support and attention from agency leadership. Elimination of needless committees and improved management of the remainder will result in increased committee credibility, and better advice and information at lower cost to the government.

Therefore, you should undertake a thorough review of your agency's committees, and achieve the following objectives:

- 1. Assure that all committees are effectively managed, that they are provided adequate policy guidance, that recommendations are evaluated, and cost savings achieved wherever possible.
- Eliminate all committees not producing significant results, or whose advice is no longer needed by the government. Legislation will be required to abolish committees established by statute.

The Office of Management and Budget and the General Services Administration will assist you in this effort, and will report overall progress. In the interest of good management, I urge your continued attention to this matter.

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## EXECUTIVE SECRETARIAT ROUTING SLIP

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### THE WHITE HOUSE WASHINGTON

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### CABINET AFFAIRS STAFFING MEMORANDUM

Date:	2/22/84	Number	: 168919C	Α	Due By:		
Subject:	Cabinet Cou	incil on	<u>Managemen</u>	t and Admi	nistration	with the	President
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### THE DEPUTY SECRETARY OF COMMERCE

Washington D.C. 2023C

February 17, 1984

MEMORANDUM FOR

The Cabinet Council on Management and Administ Clarence J. Brown

FROM: Re:

Consulting Services Controls

### BACKGROUND

For over twenty years reports by the GAO and other agencies have identified problems in the way the government awards, manages, and uses consulting service contracts. The press reports contracts awarded to "Beltway Bandits" on the basis of employees' contacts or past relationships with the contracting agency. Estimates of the cost of the services have ranged from \$1.5 to \$4 billion, but they cannot be relied upon due to vague definitions of the term. Every previous President has been unsuccessful in addressing the problems. The CCMA asked the Working Group to define "consulting services," estimate their cost, review existing controls on their use, and propose further reforms.

### **FINDINGS**

(1) We agreed that consultants are really providing "advisory and assistance services" to program managers through studies and analyses. A review was then made of the Federal Procurement Data System (FPDS), which is used to collect data on all awarded contracts, for categories which might include "advisory and assistance service" contracts. Data on these contracts are supposed to be entered into a single category in the System, but vague descriptions now lead to the contracts being entered into as many as eleven categories.

In five of the eleven categories, we believe all contracts are being awarded for "advisory and assistance services." In the category of R&D Management and Support Services, an undetermined portion of the contracts awarded are for such services, with the remaining portion awarded for administrative, maintenance, or custodial services. Spending for all contracts in these six categories totalled \$15.5 billion in FY 1982.

"Advisory and assistance services" are present in five other categories totalling \$14.5 billion in FY 1982, but current definitions make it impossible to determine the amount.

- (2) All agencies have some control system in place, but only two have strictly applied the OMB Model Control System recommended last year. The systems generally track the eleven steps of the OMB Model, but there are weaknesses in most of them.
- (3) In most of the categories, at least 40% of the contracts are awarded on a cost or non-competitive basis or are extensions of existing contracts (also without competitive bidding).

In the largest of the eleven categories above, R&D Engineering and Operational Systems Development, 72% of the contracts were awarded on a non-competitive basis, 68% were modifications, and 52% were cost-basis contracts.

### RECOMMENDATIONS

- O The GSA and the Office of Federal Procurement Policy should form a government-wide Task Team to improve the accuracy of the Federal Procurement Data System. We have made some specific recommendations on this issue.
- o Agencies should strengthen their control systems to at least satisfy the steps of the OMB Model.
- "Consulting services" should be redefined as "advisory and assistance services." Contracts for them in six categories in the FPDS should be subject to further controls, including the following:
  - Review (over a threshold amount) by a Single Official who is not involved in procuring the contract.
  - Evaluation of the product's utility to the agency.
  - Cross-reference of proposed contracts, through a government-wide system, to prevent duplication.
- Other changes with respect to these contracts include:
  - Certifying that the employee managing the contract is truly qualified.
  - Preparing annual plans for these contracts.
  - Rewarding good contract management.
- o Five of the eleven categories as noted above should be sampled to determine what portion of the dollars spent were for "advisory and assistance services."
- We reiterate recommendations made in mid-December on this issue:
  - OMB should require Departments and agencies to report actual spending for FY 1983 and estimated spending for FY 1985 for these services in six categories of the FPDS.
  - Departments and agencies should continue to report contracts for \$10,000 for "advisory and assistance services," notwithstanding the increase in the small purchase threshold last year.
- Existing regulations against excessive use of modifications, non-competitive and cost-basis contracts must be enforced.
- Minor recommendations with respect to grants, intra- and interdepartmental contracts for "advisory and assistance services," and advisory committees have also been made.

### RECOMMENDED OPTIONS

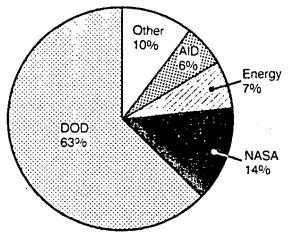
1)	Issue an Executive Order reagencies to control the use services" and to name a sir appropriate controls as rec	of "advisory and assistance
	Approve	Disapprove
2)	preceding page) made by the	Cabinet Council on Managemen
	Approve	Disapprove
3)		neral, as coordinated by the grity and Efficiency, to ts of the various agency uses
	Approve	Disapprove

## Fiscal Year 1982 Expenditures by Selected Procurement Categories in the Federal Procurement Data System (All Contracts Over \$10,000 — \$ in Million)

Category	Reported Expenditures	,
Advisory and Assistance Services as Defined		
Management and Professional Services	3,132.1	
Special Studies and Analyses	830.1	
Management and Support Services for R&D Activities*	11,001.5*	
Training	452.3	
Management Review of Program-Funded Organizations	.6	
Public Relations	2.1	
(Consulting Services — subsumed by the preceding categories)	113.8	
Subtotal Subtotal	15,532.5	
To be Sampled for Embedded Advisory and Assistance Services		
Engineering Development and Operational Systems Development Stages Related to R&D	12,159.1	
Technical Assistance	.6	
Technical Representation	686.9	
Quality Control, Testing and Inspection Services	103.6	
Specialized Medical Services	102.2	
Architects and Engineers Services (non-construction)	1,415.9	
Subtotal	14,468.3	
Total	\$30,000.8	

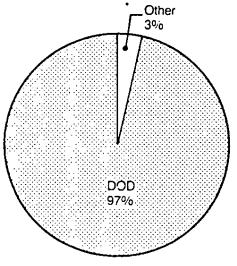
Excluding procurements for administrative, maintenance and custodial like configure

## Expenditures by Major Agencies/Departments for Advisory and Assistance Services as Defined (FY 1982 FPDS Data)



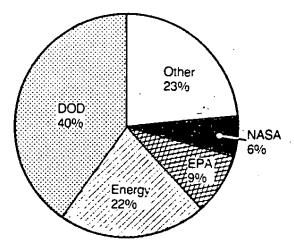
### Management and Professional Services

\$3,132.1
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174.9



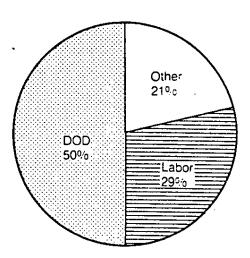
Management and Support Services for R&D Activities

FY 1982	•	\$11,001.5
DOD		10.685.1



### Special Studies and Analysis

FY 1982	\$830.01
DOD	333.5
Energy	186.3
EPA	73.8
NASA	53.1



Training, Management Review of Program-Funded Organizations and Public Relations

FY 1982	\$455 <sup>-</sup>
DOD	227
DOL	130

5 Million

# Summary of Procurement Characteristics (% of Expenditures) of Advisory and Assistance Services as Defined (FY 1982 FPDS Data)

	Reported Expenditures*	% Non- Competitive	% Modification	% Cost Type Contract
Management and Professional Services	\$3,132.1	71%	51%	-59%
Special Studies and Analysis	830.1	61	60	69
Management and Support Services for R&D Activities	11,001.5	70	69	60
Training	457.2	65	49	58
Management Reviews of Program-Funded Organizations	.6	43	51	36
Public Relations	2.1	54	35	40
(Consulting Services — subsumed by the preceding categories)	113.8	44	54	60

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## of Procurement Categories to be Sampled (FY 1982 FPDS Data)

	Reported Expenditures*	% Non- Competitive	% Modification	% Cost Type Contract
Engineering Development and Operational Systems				
Development Stages Related to R&D	\$12,159.1	72%	68%	52%
Technical Assistance	.6	100	0	100
Technical Representation	686.9	71	65	45
Quality Control, Testing and Inspection Services	103.5	80	19	41
Specialized Medical Services	102.2	62	28	36
Architects and Engineers Services (Non-Construction)	1,415.9	61	56	64

<sup>\*\$</sup> Million

### Report Summary

### FEDERAL FIELD STRUCTURE REFORM

On March 10, 1983 the Cabinet Council on Management and Administration (CCMA) requested a study regarding reform of the Federal Field Structure. An interagency Working Group, established under the leadership of Mr. Gerald P. Carmen, presented findings to the CCMA on May 12, 1983. The Working Group found that some agencies had moved vigorously to reduce the size and cost of running the Federal Government and that there are additional opportunities for streamlining actions.

On August 30, 1983, the President directed that all Federal agencies review their field structures and develop a plan to implement streamlining measures which could be taken without reducing services. The President emphasized that block grant funding and regulations reduction have lessened the Federal role in programs traditionally administered by other levels of government. These changes, in turn, have set the stage for a dramatic opportunity to reduce personnel and organizational elements in agency field structures. The President asked Mr. Carmen to head this review under the direction of the CCMA.

Following the President's directions, the Working Group asked all agencies to review their field structures and develop plans to capitalize on streamlining opportunities which would improve services while reducing Federal field costs. Agencies were asked to include initiatives to:

- o Reduce organizational layers; .
- o Eliminate unnecessary offices;
- o Consolidate administrative support services;
- o Co-locate field offices;
- o Improve supervisor/employee ratios; and
- Use third parties to provide services.

### **FINDINGS**

The specificity of agency reports varied considerably. Agencies readily shared past accomplishments but were generally reluctant to discuss specific future plans, including responses to Grace Commission recommendations. Agencies which mentioned future initiatives generally did not have firm estimates of the expected dollar or personnel savings.

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During the FY 1981 - 1983 period, field employment, excluding Defense and the Postal Service, dropped by 51,611 from 933,000 at the beginning of FY 1981 to 881,289 at the end of FY 1983. Agency field structure reports for this period, including Defense and the Postal Service, document a reduction of 34,277 positions for this period with savings of \$1.2 billion. Future reform efforts anticipate a further reduction of 12,926 positions with expected savings of \$1.1 billion. Another 8,438 positions are under study with possible savings of \$184.1 million.

### CROSS CUTTING ISSUES

Based on the Working Group review of material submitted by the agencies, three major cross-cutting issues surfaced.

### Budgetary Pressures for Reform

Budget cuts appear to be the most substantial motivator for streamlining action. Many agencies cited FY 1982 budget cuts, noting that actions were taken to cope with these reductions.

### Response to Grace Commission Recommendations

The review of agency submissions showed that most are taking a "wait and see" attitude towards field-related recommendations. Major departments, including the Departments of Health and Human Services, Defense, and Treasury, did not comment because the recommendations are currently under review. However, the Department of Agriculture, the Federal Trade Commission and the Federal Maritime Commission were aggressively addressing recommendations pertaining to their field structures.

### Constraints

Congressional constraints in the form of authorization and appropriations legislation impede agencies' movement toward aggressively streamlining their operations. Congressional pressure was also exerted almost every time an agency proposed to close an office. For example:

- o Congress blocked the FTC's attempt to close four of its ten regional offices;
- o Congress dictates that the Civil Rights Commission must maintain 51 State Advisory Committees;

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- o Congress has set minimum staffing levels for the Department of Energy;
- o Congress mandated in ACTION's FY 83 appropriations legislation that it could not close any offices;
- Congress routinely opposes Defense's efforts to close bases; and
- O Congress has recently directed Transportation not to close any of its air traffic control towers.

Most Congressional constraint does not come in the form of direct legislative prohibition. Rather, it comes in the form of expressions of "concern" or the threat of legislation.

### AGENCIES WITH EXTRAORDINARY ACHIEVEMENTS

Based on the review of agency submissions, the Working Group singled out six agencies for extraordinary achievement during FY 1981 - FY 1983. Agencies are urged to contact the following agencies for possible assistance in addressing similar problems.

- the <u>Veterans Administration</u> for its data processing accomplishments which paved the way for savings of \$63.6 million;
- the <u>Department of Commerce</u> for establishment of Regional Administrative Support Centers, promoting more efficient delivery of administrative support;
- o the <u>Department of Health and Human Services</u> for the initiation of numerous block grants, and the extensive use of third parties to operate public health hospitals and administer the Medicare and Medicaid programs;
- o the <u>Department of Labor</u> for its realignments and consolidations leading to savings of 4,607 positions and \$138.2 million;
- o the <u>General Services Administration</u> for its regional reorganization which eliminated management layers; and
- the <u>Federal Maritime Commission</u> for its office closures and consolidations which have enabled the Commission to roll back employment by 33 percent, to 1965 levels.

### CONCLUSIONS AND RECOMMENDATION

It is apparent that there is a reduced need for a Federal presence in geographic areas where block grants and Federal regulation changes have substantially reduced the Federal workload. Federal Field Structure Reform could become a cornerstone of the New Federalism, but only if Cabinet Officers and agency heads take decisive action to implement it.

Many agencies have made significant progress in streamlining field structures while maintaining or enhancing services. While much has been done and many plans have been developed, there is still room for substantial improvement.

The Administration needs to vigorously encourage agency heads to streamline their field structures in accordance with standing government-wide management policies. In addition, results of the FY 1985 Office of Management and Budget review of management issues and approved President's Private Sector Survey on Cost Control (Grace Commission) recommendations should be followed.

Field structures that deliver program services must be tailored to agency needs and remain the responsibility of each agency head. Staffing standards and ratios developed during the field structure review should be implemented Government-wide. Effective model organization structures are now in place that utilize these standards and that provide common administrative support services in the field.

As a result of FY 1985 budget decisions, several agencies are to bring administrative support services staffing in line with standards, consolidate administrative payments centers, and put in place prototype regional organizations for common administrative support activities. Constant policy-level support to all agency heads is needed in addressing changes where Congressional interest becomes a constraint. In order to provide the encouragement and support necessary for the success of this and other management initiatives, continued high level support, such as that provided through the CCMA, is needed. To better coordinate existing directives to agencies and measure progress, the Office of Management and Budget should continue working with agency plans and develop a reporting mechanism on actions to streamline field structure and the quantifiable impact of those changes.

#### ISSUE PAPER

### REFORM OF FEDERAL ADVISORY COMMITTEES

An analysis by the White House Office of Planning and Evaluation indicates that while the Administration's record with advisory committees is in many respects exemplary, more can be done to increase effectiveness and to eliminate unnecessary committees.

Despite the Administration's initial drive in 1981-82 to reduce committees, there has been a slight increase. Today there are some 900 Federal advisory committees with approximately 20,000 members and combined annual costs of \$74 million.

The evaluation revealed a lack of systematic agency effort to review advisory committee recommendations, and to analyze and respond to policy suggestions. Accordingly, advisory committees often are more responsive to mid-level agency personnel, or to congressional staff and constituent groups than to top agency officials. As a result, rather than rendering useful advice to agency policymakers in areas of priority concern, advisory committees too often become advocacy groups for program expansion and narrow interests.

Reporting forms (T-820s) for 1982 (the latest period for which complete agency reports are available) were examined to determine: 1) the extent of use of advisory groups, and 2) the reported accomplishments of these committees. Almost 900 T-820s were reviewed.

The analysis showed that no significant contributions to agencies were reported for 284 advisory committees. By their own estimation, many agencies actually had reported "none" for advisory committee accomplishments. For another 18, agencies reported it was too early to tell what their accomplishments during the year had been. Reports on nine other committees were so vague that accomplishments could not be discerned.

For 520 committees, multiple achievements were listed. These ranged from recommendations resulting in legislative management practices to substantial improvements in agency management practices. Also reflected were a large number of advisory committees that recommend grant awards or research priorities, and which are otherwise actively involved in regular agency business.

This Administration's record with regard to the effective use of citizen advisory groups is better than its predecesors. Recent commentaries in publications as diverse as the <u>New Republic</u> and <u>Policy Review</u> have noted the Administration's effective employment of citizen-advisors in dealing with complex public policy issues.

The President's Task Force on Victims of Violent Crime, for example, recommended improved coordination in training of state and local law enforcement personnel which is now underway through the National Training Center of the Law Enforcement Assistance Administration. The National Commission on Excellence in Education heightened public concern over education reforms, which are now underway in states across the country as a result of the President's advocacy of the report's recommendations. Bureau's Advisory Committee on Agriculture Statistics helped make substantive improvements in the content and conduct of the recent U.S. Census of Agriculture. The Small Business Administration's Advisory Committee on Vietnam Era Veterans resulted in special field staff for Vietnam veterans in all SBA field offices and thirty planned busines training conferences for veterans this year. The 1983 report of the National Commission on Social Security Reform made possible legislation to preserve the solvency of the Social Security system and ensure benefits for millions of recipients. The Scowcroft Commission was instrumental in securing public and legislative support for the modernization of our strategic deterrent.

These successes, however, heighten the contrast of experiences of many other advisory committee. A June, 1983, Kettering

Foundation study on Federal advisory committees surveyed current and former appointees to determine the degree of response from agency managers to their work. Only 40 percent of the Kettering sample could say that their committee received a written response to their recommendations from agency policy-level staff.

The Kettering report found that 61 percent of advisory committee members felt that more meetings with agency executives on the completion of reports would significantly improve the extent to which their advice is used. This view is backed by anecdotal reports from frustrated committee members. They are flattered and honored to be appointed, but their pleasure turns to disillusionment when they realize their assignment is largely—or totally—pro forma.

Agency committee coordinators reported few systematic approaches to the evaluation of committee reports within the agencies. This indicates that not only do some advisory committee members lack knowledge of agency priorities, but also that agency policymakers may be unaware of the contributions contained in committee reports. At a minimum, reports should be thoroughly analyzed by planning and evaluation staff in each agency. Recommendations affecting program offices also should be reviewed by appropriate sub-cabinet officers.

The analysis concludes that if such review activity is not worth the time of top staff, there should be an initial presumption on the part of agency budget offices and at the White House that the advisory committee, however sincere and committed its members, is a waste of money. As many as one-third of the committees may fall into this category and could be eliminated. The remainder should be better managed.

Therefore, it is recommended that the President direct OMB and GSA to work with the departments and agencies to assure that advisory committees are evaluated and appropriate management actions taken.